

Issue No. 2022008

4 Mar 2022

China Tax Center China Tax & Investment Express

*China Tax & Investment Express (CTIE)** brings you the latest tax and business announcements on a weekly basis. We selected some comparatively key announcements to provide for a synopsis and we also provide a link that leads you to the full content of each latest announcement (in Chinese). Please feel free to contact your EY client service professionals for further assistance if you find the announcements have an impact on your business operations.

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Tax circulars

- **Public notice (PN) regarding extending the policies related to venture capital enterprises and individual angel investors investing in technology start-ups (MOF/STA PN [2022] No. 6)**

Synopsis

To further support entrepreneurship and innovation, on 9 February 2022, the Ministry of Finance (MOF) and State Taxation Administration (STA) jointly released MOF/STA PN [2022] No. 6 ("PN 6"), clarifying relevant tax policies for venture capital enterprises and individual angel investors investing in technology start-ups.



According to PN 6, from 1 January 2022 to 31 December 2023, venture capital enterprises and individual angel investors that either start to invest or have invested in technology start-ups for more than two years can continue to enjoy the relevant tax incentives (e.g., A venture capital enterprise that makes equity investments in a qualified technology start-up for at least two years (or 24 months) shall be able to offset 70% of its investment cost against its taxable income. Any excess amount can be carried forward and offset against the taxable income in subsequent tax years) as prescribed in Caishui [2018] No. 55 ("Circular 55", i.e., Notice regarding tax policies for venture capital enterprises and individual angel investors).

Among them, qualified technology start-ups should meet all the following criteria:

- ▶ Number of employees should not exceed 300 persons.
- ▶ Total assets and annual turnover should not exceed RMB50 million respectively.

Relevant enterprises and individuals are advised to read PN 6 for details so as to fully utilize the benefits offered. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full content of PN 6:

http://szs.mof.gov.cn/zhengcefabu/202202/t20220221_3788774.htm

You can click this link to access the full content of Circular 55:

<http://www.chinatax.gov.cn/n810341/n810755/c3453868/content.html>

▶ **Q&As on policies for the 2021 annual Individual Income Tax (IIT) filing for consolidated income**

Synopsis

Since the annual IIT filing for year 2021 should be completed within the period from 1 March 2022 to 30 June 2022, the STA released a list of Q&As on policies for the 2021 annual IIT filing for consolidated income (hereinafter referred to as the "Q&As") on 23 February 2022 to assist taxpayers in the filing process.

The Q&As list is exhaustive, it clarified certain basic principles related to the annual IIT filing (e.g., definition of residents vs non-residents and their respective tax filing positions, definition of various types of income) and illustrated on how a taxpayer should complete the IIT filing through various examples (e.g., the deductibility of different deduction items, how certain types of income (special discount on property purchase for staffs, bonuses, etc.) should be reported).

In particular, the Q&As specified whether certain income should be regarded as overseas income. It is reiterated that, for the transfer of equity assets (such as shares, equities, etc.) invested by overseas enterprises or other organizations by an individual, in case such equity assets, at any time during the three-year period (36 consecutive calendar months) prior to the transfer, more than 50% of the fair value of the assets was derived directly or indirectly from immovable properties located within China, income from the transfer of relevant equity assets should be considered as income derived from China.

Taxpayers may observe the full content of the Q&As and STA PN [2022] No. 1 ("PN 1", i.e., PN regarding issues related to the 2021 annual IIT filing for consolidated income) for more details. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full content of the Q&As:

<https://12366.chinatax.gov.cn/zqdetail/getImPage?lmid=e48cc09d67b4f2600167df59f5550804&zqlmmc=5Liq5Lq65omA5b6X56i0540t54K56Zeu6aKY&logoid=e48cc09d6752e977016755358f0b005d&lmbm=2d05f99896e041c2a06a1d8a77f18ee1>

You can click this link to access the full content of PN 1:

<http://www.chinatax.gov.cn/chinatax/n363/c5172700/content.html>

► **PN regarding continuously implementing certain preferential tax policies for national commodity reserves (MOF/STA PN [2022] No. 8)**

Synopsis

To support national commodity reserves, the MOF and STA jointly released MOF/STA PN [2022] No. 8 (“PN 8”) on 21 February 2022 to extend the preferential tax policies for commodity reserve management companies (商品储备管理公司) and their affiliated warehouses (the scope is as prescribed in PN 8).

Taxes	Preferential treatments
Stamp Duty (SD)	<ul style="list-style-type: none"> ► Capital recorded in accounting books is exempted from SD for commodity reserve management companies and their affiliated warehouses. ► Purchase/sale contracts signed by commodity reserve management companies for commodity reserve business are exempted from SD.
Real Estate Tax (RET)/Urban Land Use Tax (ULUT)	<ul style="list-style-type: none"> ► Self-used real properties/lands of commodity reserve management companies and their affiliated warehouses for commodity reserve business are exempted from RET and ULUT.

The qualifying enterprises should file their tax exemption as required and maintain the relevant supporting documents (e.g., real estate certificates, etc.) for tax authorities’ future references.

PN 8 is valid from 1 January 2022 to 31 December 2023. Any relevant taxes paid on or after 1 January 2022 can be offset against future tax payable or refunded.

You can click this link to access the full content of PN 8:

http://szs.mof.gov.cn/zhengcefabu/202202/t20220224_3790152.htm

Business circulars

► **Notice regarding certain policies for promoting the recovery and development of the service industries in difficulty (Fagaicaijin [2022] No. 271)**

Synopsis

On 18 February 2022, the National Development and Reform Commission (NDRC) and several other authorities jointly issued Fagaicaijin [2022] No. 271 (“Circular 271”), introducing certain policies for promoting the recovery and development of the service industries in difficulty. Among them, some key tax policies include:

- Extend the “super input Value-added Tax (VAT) credit” policy in the service industry. In 2022, VAT taxpayers engaging in production and lifestyle services¹ will continue to be given an extra 10% and 15% “super input VAT credit” respectively.
- Expand the applicable scope of the “six taxes and two fees” policy in 2022. The policy allows provincial governments to reduce the “six taxes and two fees”, i.e., Resource Tax, City Construction Tax, RET, ULUT, SD (except that for security trading), Farmland Occupation Tax, Education Surcharge, and Local Education Surcharge, within 50 percent of the tax payable amount and applied only to small-scale VAT taxpayers before. In 2022, the applicable scope will be expanded to include eligible small-sized enterprises with meager profit rate and self-employed industrial and commercial households in the services industry.
- Encourage all localities to grant tax reduction and exemption to taxpayers who have difficulties in paying RET and ULUT in 2022, where local regulations and conditions permit.

- ▶ Increase Corporate Income Tax (CIT) deductions for small, medium and micro-sized enterprises in 2022. Small, medium and micro-sized enterprises that newly purchase equipment worth of more than RMB5 million in 2022 are eligible for a one-time CIT deduction of total purchase costs if the depreciation period of the equipment is three years, or a 50% CIT deduction (i.e., 可减半扣除, the wording in the current document is not very clear, it may either be an upfront CIT deduction of 50% is allowed or the depreciation period can be shortened by half, the wording has to be further elaborated under upcoming detailed rule) if the depreciation periods of the equipment are four, five or ten years for CIT purposes. Enterprises can enjoy preferential treatment on a quarterly basis, and the tax loss incurred in the current year can be carried forward to the five tax years followed.
- ▶ Suspend VAT prepayment by railway and civil aviation enterprises in 2022.
- ▶ Exempt VAT for public transportation services, such as ferries, public buses, subways, urban light rail, taxis, long-distance passenger transport and shuttle buses in 2022.

Relevant taxpayers are advised to read Circular 271 for details and fully utilize the benefits offered. Since all these measures are offered for 2022, if in doubt, early consultations with professionals are always recommended.

¹ According to MOF/STA/GAC PN [2019] No. 39 ("PN 39", i.e., PN regarding certain policies for deepening the reform of VAT), taxpayers engaging in production and lifestyle services refer to the taxpayers who derive revenues at least 50% from the provision of postal services, telecommunication services, modern services and life services against their total revenue. Accordingly, from 1 April 2019 to 31 December 2021, general VAT taxpayers engaging in production and lifestyle services were given an extra 10% "super input VAT credit". Further, accordingly to MOF/STA PN [2019] No. 87 ("PN 87", i.e., PN regarding clarifications on the "super input VAT credit" policy for the lifestyle service industry), from 1 October 2019 to 31 December 2021, taxpayers engaging in lifestyle services were given an extra 15% "super input VAT credit" instead of 10%. (Taxpayers engaging in lifestyle services refer to the taxpayers who derive revenues at least 50% from the provision of life services against their total revenues. The scope of life services as prescribed in prevailing tax rules includes culture and sports services, educational and medical services, tourism and entertainment services, catering and accommodation services, daily services for residents, and other lifestyle services.)

You can click this link to access the full content of Circular 271:

https://www.ndrc.gov.cn/xxgk/zcfb/tz/202202/t20220218_1315824.html?code=&state=123

You can click this link to access the full content of PN 39:

<http://www.chinatax.gov.cn/n810341/n810755/c4160283/content.html>

You can click this link to access the full content of PN 87:

<http://www.chinatax.gov.cn/chinatax/n359/c5137752/content.html>

▶ **Notice regarding certain policies for promoting the steady growth of industrial economy (Fagaichanye [2022] No. 273)**

Synopsis

On 18 February 2022, the NDRC and several other authorities jointly issued Fagaichanye [2022] No. 273 ("Circular 273"), introducing policies in several aspects including fiscal and tax measures, financial credit, foreign investment, etc. for promoting the steady growth of industrial economy. Among them, some key policies are summarized as follows:

Fiscal and tax policies (i.e. it is in line with the above Circular 271)

- ▶ Increase tax deductions of equipment purchases for qualifying small, medium and micro-sized enterprises.
- ▶ Extend the policy of deferred payment of taxes and fees in stages and continue to implement subsidies for the purchase of new energy vehicles, awards and subsidies for charging facilities, and Vehicle and Vessel Tax reductions and exemptions policies.

- ▶ Expand the applicable scope of the “six taxes and two fees” policy and further enhance CIT reduction and exemption for small-sized enterprises with meager profit rate.
- ▶ Reduce the social security burden of enterprises and continue to implement phased reductions in unemployment insurance and work-related injury insurance premiums in 2022.

Financial credit policies

- ▶ Continue to guide the financial system to transfer benefits to the real economy in 2022.
- ▶ Promote financial institutions to accelerate the progress of credit issuance. Support the construction of major projects for carbon emission reduction and clean and efficient utilization of coal.

Investment and foreign investment policies

- ▶ Accelerate the construction of major new infrastructure projects, promote the digital transformation of the manufacturing industry and the healthy development of real estate investment trusts (REITs) in the infrastructure sector.
- ▶ Adopt multiple measures to support the introduction of foreign investment in the manufacturing industry. Introduce policy measures to support the innovation and development of foreign-funded research and development (R&D) centers.

Land use, energy use and environmental policies

- ▶ Ensure land supply for major projects included in the plan, and improve policies for land use change, integration and replacement.
- ▶ Implement the policy of excluding new renewable energy and raw material energy consumption from the total energy consumption control.
- ▶ Guarantee major projects such as the construction of large-scale wind and photovoltaic bases, energy-saving and carbon-reduction transformation, etc.

Relevant parties are advised to read Circular 273 for details and pay attention to the implementation policies to be issued by relevant authorities to leverage the benefits offered. If in doubt, consultations with professionals are always recommended.

You can click this link to access the full content of Circular 273:

https://www.ndrc.gov.cn/xxgk/zcfb/tz/202202/t20220218_1315822.html?code=&state=123

Other tax, business and customs-related circulars publicly announced by central government authorities in the past week:

- ▶ **Notice regarding the export tax refund rate database (2022A Version) (Shuizonghuolaohan [2022] No. 20)**
<http://www.chinatax.gov.cn/chinatax/n377/c5172925/content.html>
- ▶ **PN regarding adjusting the list of the cross-border e-commerce retail imported commodities (MOF/NDRC/MIIT/MEE/MOA/MOFCOM/GAC/ People's Republic of China Endangered Species Import and Export Management Office PN [2022] No. 7)**
http://www.gov.cn/zhengce/zhengceku/2022-02/21/content_5674854.htm
- ▶ **List of the State Administration of Foreign Exchange on matters subject to random inspection**
<http://www.safe.gov.cn/shaanxi/2022/0221/1161.html>

- ▶ **PN regarding deferred implementation of the “Administrative Measures for the Due Diligence, Retention of Identity Information and Transaction Records of Clients of Financial Institutions”**
<http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/4477355/index.html>
- ▶ **Opinions on accelerating to expand the applicable scope of electronic certificates and promoting interconnection and mutual recognition across the country (Guobanfa [2022] No. 3)**
http://www.gov.cn/zhengce/content/2022-02/22/content_5674998.htm
- ▶ **Notice regarding the lists of the 2021 twenty-eighth batch of newly recognized and all the national enterprise technology centers (Fagaigaoji [2022] No. 158)**
https://www.ndrc.gov.cn/xxgk/zcfb/tz//202202/t20220223_1316659.html
- ▶ **Notice regarding enhancing the support for export credit insurance and ensuring cross-cycle adjustments to further stabilize foreign trade (Shangcaihan [2022] No. 54)**
<http://www.mofcom.gov.cn/article/gztz/tzbjg/202202/20220203282315.shtml>
- ▶ **Notice regarding the administrative measures for agricultural insurance underwriting and claim settlement (Yinbaojiangui [2022] No. 4)**
<http://www.cbirc.gov.cn/cn/view/pages/ItemDetail.html?docId=1039780>
- ▶ **PN regarding applying the preferential tariff rates under the Regional Comprehensive Economic Partnership (RCEP) Agreement to certain imported goods originated from Malaysia (Customs Tariff Commission PN [2022] No. 2)**
http://gss.mof.gov.cn/gzdt/zhengcefabu/202202/t20220223_3789857.htm



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